

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Acting Chairman;  
Nanci E. Langley, Vice Chairman;  
Mark Acton; and  
Tony Hammond

Competitive Product Prices  
Global Expedited Package Services 3 (MC2010-28)  
Negotiated Service Agreement

Docket No. CP2015-75

ORDER APPROVING MODIFICATION TWO TO  
GLOBAL EXPEDITED PACKAGE SERVICES 3  
NEGOTIATED SERVICE AGREEMENT

(Issued March 25, 2016)

I. INTRODUCTION

The Postal Service seeks to modify a Global Expedited Package Services 3 negotiated service agreement.<sup>1</sup> For the reasons discussed below, the Commission approves Modification Two.

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<sup>1</sup> Notice of the United States Postal Service of Filing Modification Two to Global Expedited Package Services 3 Negotiated Service Agreement, March 16, 2016 (Notice). The modification is an attachment to the Notice (Modification Two).

In Order No. 2528, the Commission approved the Global Expedited Package Services 3 negotiated service agreement (Existing Agreement).<sup>2</sup> On March 16, 2016, the Postal Service filed notice that it has agreed to the Modification to the Existing Agreement. On March 17, 2016, the Commission issued an order reopening this docket to consider Modification Two, appointing a Public Representative, and providing interested persons with an opportunity to comment.<sup>3</sup>

The Postal Service intends for Modification Two to become effective April 1, 2016. Notice at 1. The Postal Service filed supporting financial documentation and a certified statement, as required by 39 C.F.R. § 3015.5. *Id.* The certified statement asserts that Modification Two will not impair the ability of the contract to comply with 39 U.S.C. § 3633. Notice, Attachment 2.

## II. COMMENTS

Comments were filed by the Public Representative.<sup>4</sup> The Public Representative reviewed the Modification, the Existing Agreement, and the financial model filed under seal. PR Comments at 2. Based on that review, she concludes that the Existing Agreement, as modified, should continue to generate sufficient revenue to cover costs and satisfy 39 U.S.C. § 3633(a). *Id.*

## III. COMMISSION ANALYSIS

The Commission has reviewed the Notice, the accompanying materials filed under seal, and the comments filed by the Public Representative.

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<sup>2</sup> See Order Approving Additional Global Expedited Package Services 3 Negotiated Service Agreement, June 3, 2015 (Order No. 2528). The contract was later modified. See Order Approving Modification to Global Expedited Package Services 3 Negotiated Service Agreement, January 13, 2016 (Order No. 3024).

<sup>3</sup> Order No. 3158, Notice and Order Concerning Modification Two to a Global Expedited Package Services 3 Negotiated Service Agreement, March 17, 2016.

<sup>4</sup> Public Representative Comments on Postal Service Notice Concerning Modification Two to a Global Expedited Package Services 3 Negotiated Service Agreement, March 24, 2016 (PR Comments).

*Cost considerations.* The Commission reviews competitive product prices to ensure that each product covers its attributable costs, does not cause market dominant products to subsidize competitive products, and contributes to the Postal Service's institutional costs. 39 U.S.C. § 3633(a); 39 C.F.R. §§ 3015.5 and 3015.7. As long as the revenue generated by the product exceeds its attributable costs, the product is unlikely to reduce the contribution of competitive products as a whole or to adversely affect the ability of competitive products as a whole to contribute an appropriate share of institutional costs. In other words, if a product covers its attributable costs, it is likely to comply with 39 U.S.C. § 3633(a).

Modification Two amends Annex 1 of the Existing Agreement.<sup>5</sup> The Postal Service's supporting financial information contains updated costing methodologies reflecting current costs and increased cost coverage. Modification Two does not materially affect the underlying financial analysis of the Existing Agreement. Thus, the Commission finds that the Existing Agreement, as modified, comports with the provisions applicable to rates for competitive products in 39 U.S.C. § 3633(a) and 39 C.F.R. § 3015.7.

*Other considerations.* The Postal Service states that Modification Two shall become effective on April 1, 2016. Notice at 1. The Existing Agreement, as modified, is set to expire June 30, 2016, unless, among other things, either party terminates the contract with 30 days' written notice to the other party or it is renewed by mutual agreement.<sup>6</sup> If the Existing Agreement, as modified, is terminated prior to the scheduled expiration date, the Postal Service shall promptly notify the Commission.

In conclusion, the Commission approves the Existing Agreement, as modified.

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<sup>5</sup> Notice at 1; see also Notice of United States Postal Service of Filing a Functionally Equivalent Global Expedited Package Services 3 Negotiated Service Agreement and Application for Non-Public Treatment of Materials Filed Under Seal, May 22, 2015, Attachment 1, Annex 1.

<sup>6</sup> See Order No. 3024 at 3, 4. Should both parties agree to renew the agreement, any such renewal is required to follow the requirements of 39 U.S.C. § 3633 and the Commission's implementing regulations of 39 C.F.R. part 3015.

#### IV. ORDERING PARAGRAPHS

*It is ordered:*

1. The Commission approves the Global Expedited Package Services 3 negotiated service agreement, as modified.
2. The Postal Service shall notify the Commission if the Existing Agreement, as modified, terminates prior to the scheduled expiration date.

By the Commission.

Stacy L. Ruble  
Secretary